

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 2, 2015/2016

**BAC1034 – PRINCIPLES OF FINANCIAL ACCOUNTING**

(All sections / Groups)

I March 2016  
2.30 p.m – 4.30 p.m  
(2 Hours)

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### INSTRUCTIONS TO STUDENTS

1. This question paper consists of 6 printed pages excluding cover page with 4 questions only.
2. Answer **ALL** questions. Marks are shown at the end of each question.
3. Answer in the answer booklet provided.

## QUESTION 1

Mariam is in business as a retailer. The following balances were extracted from the books of Mariam Enterprise as at 30 September 2015.

	RM
Capital at 1 October 2014	190,000
Drawing	21,000
Land and buildings (at cost)	150,000
Fixtures and Fittings (at cost)	28,000
Computer equipment (at cost)	40,000
Accumulated depreciation:	
Fixtures and Fittings	19,000
Computer equipment	12,000
8% loan	50,000
Loan interest paid	2,000
Bank	10,000
Cash	4,070
Account receivables	60,000
Account payables	31,000
Sales	365,000
Purchases	135,000
Goods returned by customers	8,900
Return outwards	4,250
Inventory at 1 October 2014	33,500
Delivery expenses	18,630
Computer repairs expenses	19,150
General running expenses	31,600
Salaries and wages	86,700
Marketing costs	14,000
Discount allowed	22,400
Discount received	13,700

### Additional information:

1. Inventory as at 30 September 2015 was valued at RM36,550.
2. An invoice for a credit purchase of goods RM6,500 had been misplaced and no entries had been recorded in the books.
3. The purchase of fixtures and fittings, RM4,000 had been included in the general running expenses.

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4. At 30 September 2015, computer repair expenses RM1,700 were accrued and salaries and wages were prepaid RM5,200.
5. The 8% bank loan was received on 1 January 2015.
6. Depreciation is to be charged at the rate of 15% per annum using the straight-line method.
  - (i) Fixtures and fittings at the rate of 15% per annum using the straight-line method.
  - (ii) Computer equipment at the rate of 25% per annum using the reducing balance method.

**Required:**

- a) Prepare the income statement for the year ended 30 September 2015. (14 marks)
- b) Prepare the balance sheet as at 30 September 2015. (11 marks)

(Total: 25 marks)

**QUESTION 2**

- a) The following selected events and transactions occurred during July for Taiping Safari Park.

July:

- 1 Shareholders invested RM50,000 cash in the business.
- 4 Purchased land costing RM130,000.
- 8 Incurred advertising expense of RM1,800.
- 11 Paid salaries to employees RM2,000.
- 15 Hired park manager at salary of RM4,000 per month, effective August 1.
- 16 Paid RM1,500 cash for one-year insurance policy.
- 19 Declared and paid RM1,700 cash dividend.
- 22 Received RM5,800 in cash for admission fees.
- 26 Sold 100 coupon books from RM30 each. Each book contains 10 coupons that entitle the holder to one admission to the park.
- 29 Paid RM900 on balance owed for advertising incurred on July 8.

**Required:**

Journalize the above transactions in General Journal form. Explanations are not required. (10 marks)

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b) The following control procedures are used in Mexwill Trading for over-the-counter cash receipts:

1. To minimize the risk of robbery, cash in excess of RM200 is stored in an unlocked attaché case in the stockroom until it is deposited in the bank.
2. All over-the-counter receipts are registered by three clerks who use a cash register with a single cash drawer.
3. The company accountant makes the bank deposit and then records the day's receipts.
4. At the end of each day, the total receipts are counted by the cashier on duty and reconciled to the cash register total.
5. Cashiers are experienced; they are not bonded.

**Required:**

For each procedure, explain the weakness in internal control, and identify the internal control principle that is violated. (10 marks)

c) Presented below are the assumptions and principles guide when it creates accounting standards.

Relevance	Periodicity assumption
Faithful representation	Going concern assumption
Comparability	Historical cost principle
Consistency	Economy entity assumption

1. A belief that a company will continue to operate for the foreseeable future.
2. The practice of preparing financial statements at regular intervals.
3. A belief that the items should be reported on the balance sheet at the price what was paid to acquire the item.
4. The quality information that indicates the information makes a difference in a decision.
5. A company's use the same accounting principles and methods from year to year.

**Required:**

Identify and match each of the above statement to the relevant accounting assumption or principle. (5 marks)

(Total: 25 marks)

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**QUESTION 3**

Jasson Berhad reports the following information for the month of February 2016.

Date	Description	Units	Unit Cost or Selling Price
1	Beginning inventory	70	34
9	Purchase	110	36
11	Sales	100	45
17	Purchase	120	37
22	Sales	60	50
25	Purchase	70	39
29	Sales	110	50

**Required:**

- a) Calculate the ending inventory, cost of goods sold and gross profit under perpetual inventory system using FIFO method. (10 marks)
- a) Calculate the ending inventory, cost of goods sold and gross profit under periodic inventory system using LIFO method. (11 marks)
- b) What is the difference between perpetual and periodic inventory system. (4 marks)

(Total: 25 marks)

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### QUESTION 4

Presented below are the financial statements of Kelvin Berhad.

**Kelvin Berhad**  
**Comparative Balance sheets**  
**December 31**

	2015	2014
<b><u>Assets</u></b>	<b>RM</b>	<b>RM</b>
Equipment	265,000	242,500
Accumulated depreciation - equipment	(47,000)	(52,000)
Long-term investment	140,000	114,000
Prepaid expenses	29,300	26,000
Inventory	112,500	102,850
Account receivable	92,800	33,000
Cash	50,000	40,000
Bank	50,350	8,400
<b>Total Assets</b>	<b>692,950</b>	<b>514,750</b>

**Liability and Equity**

Account payable	112,000	67,300
Accrued expenses payable	16,500	17,000
Bond payable	110,000	150,000
Common stock	220,000	175,000
Retained earnings	234,450	105,450
<b>Total Liability and Equity</b>	<b>692,950</b>	<b>514,750</b>

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Kelvin Berhad  
Income statement  
For the year ended December 31, 2015

	RM	RM
Sales revenue	392,780	
Gain on disposal of plant assets	5,000	397,780
 Less:		
Cost of goods sold	135,460	
Operating expenses, excluding depreciation	12,410	
Depreciation expense	45,000	
Income tax expense	27,280	
Interest expense	4,730	224,880
<b>Net income</b>		<b>172,900</b>

**Additional information:**

1. New equipment costing RM80,000 was purchased for cash during the year.
2. Old equipment having an original cost RM57,500 and accumulated depreciation of RM50,000 was sold for RM12,500 cash.
3. Bond payable matured and were paid off at face value for cash.
4. A cash dividend of RM43,900 was declared and paid during the year.

**Required:**

- a) Prepare the statement of cash flows for 2015 using indirect method. (19 marks)
- b) Compute these cash-based measures:
  - (i) Current cash debt coverage. (3 marks)
  - (ii) Cash debt coverage. (3 marks)

**(Total: 25 marks)**

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